



**HAMPSHIRE
FIRE AND
RESCUE
AUTHORITY**

Purpose: Noted

Date **26 July 2018 (Standards & Governance Committee)**

Title **FIRE PENSION BOARD ANNUAL REPORT (2017/18)**

Report of Chief Finance Officer

SUMMARY

1. This is the annual report from the Fire Pension Board to the Standards & Governance Committee, and summarises the work of the Board for 2017/18 financial year in the exercise of its functions.
2. This report provides an update on the progress of key issues during the reporting period.

PENSION BOARD MEETINGS

3. The Pension Board met periodically during the 2017/18 financial year. Three meetings were held during the year:
 - (a) 17 July 2017
 - (b) 14 November 2017
 - (c) 7 February 2018
4. The meeting in July 2017 saw the election of Stew Adamson to chairman and Richard North to Vice-Chairman. Both will hold the position until the first meeting of the Fire Pension Board following the annual meeting of the Fire Authority in 2018.
5. The key items covered at these meetings are as follows, more detailed information about each of these items can be found later in the report.
 - (a) 30 year pension contribution holidays
 - (b) The Pension Regulator Self Assessment Tool
 - (c) Training for Board members
 - (d) Risk Register
 - (e) Scheme Reconciliation
 - (f) Opt Outs
 - (g) Allowances
 - (h) Annual Benefit Statements

- (i) Annual and Lifetime Allowance
- (j) Communication & engagement

6. The pension board reports can be found in APPENDIX A, B and C

30 YEAR PENSION CONTRIBUTION HOLIDAY

- 7. It was reported to the Pension Board that the refund of pension contributions as a result of the 30 year rule had been completed. The final number of retired personnel in scope was 65. The number of affected personnel was lower than that previously reported following an audit of the data before cases were finally processed.
- 8. Repayments were made to 62 out of the 65 retired personnel. The outstanding three retired firefighters have not yet been paid as they did not return a signed HMRC declaration along with their bank details; this is despite three letters being sent to their home addresses using the Royal Mail 'signed-for' service. These are no longer being pursued
- 9. The total gross amount due to the 65 firefighters affected was £314,134; the net amount was £187,880. The relevant amounts were reported to the Home Office so that a refund can be given to HFRS
- 10. For employed firefighters who achieve 30 years service before their 50th birthday and who remain in the 1992 Fire Pension Scheme, a manual process has been introduced to cease pension contributions and re-commence again at age 50. There are currently 10 employees within scope and a further 11 have been identified.

THE PENSION REGULATOR (TPR) SELF ASSESSMENT

- 11. The TPR self assessment tool is a way of evaluating how the Fire Pension Scheme is being managed and where things can be improved.
- 12. The tool is split into three categories
 - (a) Governing your scheme
 - (b) Managing risks and issues
 - (c) Administration
- 13. The scoring is done on a RAG (Red, Amber and Green) status to help identify areas for improvement.

14. This table shows that there has been an improvement year on year

Year	Green	Amber	Red
2016/17	13	7	1
2017/18	17	3	1

15. At the end of 2017/18 there were three Amber and one Red item remaining. One of the Amber items relates to member communication being clear, accurate and easily accessible. This item has since been resolved with the launch of the Employer Pension Web pages. The remaining items are all under the Administration area and relate to record keeping.

TRAINING

16. The TPR pension education portal has online training containing seven topics. The topics are:
- (a) Conflicts of interest
 - (b) Managing risk and controls
 - (c) Maintaining accurate member data
 - (d) Maintaining member contributions
 - (e) Providing information to members and others
 - (f) Resolving internal disputes
 - (g) Reporting breaches of law
17. Board members were invited to improve their knowledge and understanding by completing the different modules.
18. During the year, the Board received training covering the areas of Pension Sharing Orders, Employer decisions and discretions and Pensions and Tax. Board members were also invited to attend the Tax seminars provided by the Local Government Association (LGA).
19. Board members completed another Training Needs Analysis (TNA). This showed that knowledge had improved from the previous year and that there were no major issues that needed to be covered by specific additional training.

RISK REGISTER

20. A key governance item that was missing, which was highlighted both on the TPR self assessment and the TPR's 2016 Scheme Administration survey, was a risk register.
21. A risk register was set up and the Board approved this at the meeting in July 2017.

SCHEME RECONCILIATION

22. The Fire Pension Schemes were Contracted Out between 6 April 1978 and 5 April 2016. For periods of service during these dates, the Fire Pension Schemes must provide a minimum pension called a Guaranteed Minimum Pension (GMP).
23. HMRC kept track of all liabilities for each individual in each Contracted Out pension scheme. When HMRC ceased Contracting Out from 6 April 2016 they also stopped tracking the movements of liabilities.
24. Every pension scheme that has been Contracted Out had to embark on a Scheme Reconciliation to reconcile their data with the data that HMRC held, this was not only membership periods for each person but also the relevant GMP amount. HMRC gave a deadline of December 2018 to complete this work.
25. The Board were updated about the Scheme Reconciliation project. In January 2015, Hampshire Pension Services received the “leaver data” from HMRC. This was anyone that had left Contracted Out service where HMRC had the GMP liability attributed to Hampshire Fire Pensions. Work on this data for Fire Pension Schemes was completed in May 2016.
26. Details of all “active members”, those that were contributing to a scheme on 6 April 2016, were sent to Pensions Services in April 2017. Hampshire Pension Services are now working with Civica and Intellica to enable records to be checked, queried and corrected where applicable.
27. The completion of the reconciliation of the Hampshire Fire Pension Scheme data is on track to be completed by December 2018.

OPT OUTS

28. During the year a lot of work was carried out looking at opt outs. Whilst it is expected to see a high number of retained firefighters that are not in the scheme, it is unusual to see high numbers of whole time fire fighters opting out.
29. In 2016/17 there was a spike in the optant out numbers. The Board were surprised to see that there were 59 opt outs of whole time fire fighters recorded. This accounted for 79% of opt outs in the year. Upon further analysis it was determined that almost all of these were a temporary or fixed term contract.

30. In December 2017 additional scrutiny of employees, roles and membership of pension schemes was undertaken. This showed that there were 1,119 firefighters employed in 1,395 roles, of which 709 were whole-time contracts and 686 were RDS contracts. Of the 1,395 roles, 209 are not in the Fire Pension Scheme
- (a) 129 RDS contracts are not in any Fire Pension Scheme, this is 19% of the RDS employments
 - (b) 80 whole-time contracts are not in any Fire Pension Scheme, this is 11% of the whole-time employments
 - (c) Overall there are 96 firefighters that are not in any Fire Pension Scheme at all, this is 9% of people
31. The Board were keen to understand why members were opting out of the scheme and asked that the 96 not in any scheme, were contacted by way of a survey to try and establish why they may have chosen to not be a member.

ALLOWANCES

32. A lot of work took place during 2017/18 regarding allowances which started with S&G Committee approving making the 10% training allowance pensionable from 1 April 2017.
33. It was reported to the Board that a number of firefighters were identified as receiving a 10% training allowance even though they were not working in the Academy. Due to the complexities arising a project board was formed to review various aspects including
- (a) Those receiving 10% allowance which is not for training
 - (b) USAR 20% allowance and its potential change to 10% allowance (which may or may not be pensionable)
 - (c) A review of the policy handbook including definitions and criteria
 - (d) A review of the governance around awarding an allowance
 - (e) A review of governance when the allowance no longer applies.
34. New handbooks for both allowances and ARA's were produced and went to Unions and Rep Bodies for consultation in February 2018.
35. The board heard that the project was on target to be implemented by 1 April 2018. The implementation would not only be the new handbooks but also a new governance process that will have more stringent controls for commencing or ceasing payment of an allowance, along with ongoing audit controls and any pension implications.

ANNUAL BENEFIT STATEMENTS

36. The statutory deadline for issuing Annual Benefit Statements (ABS) is 31 August each year. It was reported to the Board that the 2017 deadline was met and that ABS' were issued to home addresses.
37. The Board also heard that the Employer Pension Manager has also been involved with providing feedback to Hampshire Pension Services with regard to improvements, wording and consistency for the 2018 statements

ANNUAL AND LIFETIME ALLOWANCE

38. The statutory deadline to provide Pension Savings Statements is 6 October each year.
39. A Pension Savings Statement is automatically sent to a member where they have exceeded the Annual Allowance in the year, but can be sent to any member upon request; for 2016/17 10 Pension Savings Statements were issued to members of the Hampshire Fire Pension Schemes.
40. The issues around Annual Allowance (AA) and Lifetime Allowance (LTA) are very complex and the Board were in favour of the proposal to hold seminars for those that might be affected by the AA or LTA issue. They have also endorsed an Annual Allowance factsheet that has been drafted.

COMMUNICATION

41. Communication about pensions to firefighters and internally across departments is an area that has seen much improvement in 2017/18. The Employer Pension Manager has been fundamental in delivering an enhanced communication approach through various strands which are detailed below in paragraphs 47 to 59.

ACCOUNTABILITIES

42. It was reported to the Board that a lot of work had been undertaken to define the boundaries of the pension accountabilities across the different departments as there was generally a lot of confusion internally about who was responsible for what. There are three main areas:
 - (a) Hampshire Pension Services
 - (b) Shared Services IBC Pensions Administration Team
 - (c) Human Resources (HR)

43. Pensions Services are responsible for issuing Annual Benefit Statements, providing estimates and calculating retirement benefits, along with dealing with complex enquiries.
44. IBC Pensions Administration Team is effectively the payroll provider for HFRA. They provide the pension information, relating to pay and service to Pensions Services for new starters, leavers and retirements. They deal with those wanting to opt in or opt out of the scheme.
45. HR provides advice on pension policy and deal with any ill health retirements. They will provide instruction to the IBC Pensions Administration Team.
46. An accountabilities chart detailing who does what was drawn up. In July 2017 HR held two sessions for HR staff. The introduction by the Head of Finance covered the differences in the teams and started to address the issue of who does what. After this session, the chart was shared with the other departments.

FIRE PENSION LETTERHEAD

47. For many years, Hampshire Pension Services have been using the Hampshire Fire and Rescue Authority logo on their letterhead for written communication to operational Fire staff in one of the Fire Pension Schemes.
48. The same logo is used by the IBC and HR and as the employer it makes sense for the IBC and HR departments to use this logo.
49. The Board heard that confusion can arise as many staff do not appreciate that there is a difference between the employer and Pension Services, this issue is compounded by the fact that they appear to use the same headed paper and are based at the same address.
50. The Board endorsed a revised letterhead for Fire Pensions.

EMPLOYER PENSION WEB PAGES

51. It was reported to the Board that a suite of new Employer Pension web pages had been launched. Following positive feedback, they went live in August 2017.
52. The new Employer Pension web pages are accessible from the new Fire portal homepage and split into three sections to aid navigation. Under each of the sections there are a handful of key subjects, including requesting an estimate, when to leave or retire and who to contact.
53. The Employer Pension Manager receives page hits for these web pages which enables the content to be reviewed or updated where necessary.

EMPLOYER GROUPS

54. The Employer Pension Manager has set up Employer Pension groups which pull together representatives from HR, Finance, Hampshire Pension Services and IBC Pensions Admin. There are three groups; one for LGPS, one for Police and one for Fire; along with a Pensions Admin group.
55. The groups have been meeting monthly and keep track of pension related issues, provide updates as well as discussing upcoming items that may require communications to members or a more detailed piece of work.
56. These groups enable a complete overview of pensions, across all schemes and partners and ensure a level of consistency. They have also been instrumental in improving internal communications and collaborative working.

PRESENTATIONS

57. It was reported to the Board that the Employer Pension Manager has developed and delivered several presentations on Fire pensions. The table below shows the number of presentations delivered in 2017/18:

Presentation	Number
New Recruits	1
Pre-retirement courses	3
Mid career (visits to Gosport, Redbridge and Fareham stations)	3

58. The briefing for new recruits concentrates on the 2015 Fire Pension Scheme with details about the benefits that can be expected. The other presentations include information on all four Fire Pension Schemes and cover how the schemes work, examples of how benefits are calculated, along with a brief explanation of Annual and Life Time Allowances and HMRC maximum benefits.
59. The Board heard how these presentations have been very well received and well attended, with lots of questions and engagement from those that attended.

FUTURE ISSUES

60. The report has identified significant progress across a number of areas; this is largely due to the dedicated resource of the Employer Pension Manager which are secured until March 2019. The focus for the 2018/19 year includes:
- (a) Addressing the outstanding items from the TPR self assessment tool
 - (b) Implementation of General Data Protection Regulations and relevant privacy notices
 - (c) Rolling programme of pension communications
 - (d) Opt out survey
 - (e) Employer Pension web pages survey
 - (f) Draft a Lifetime Allowance factsheet
 - (g) Seminars for Annual & Lifetime Allowance issues
 - (h) Injury pension reviews
 - (i) Implementation of Member Portal (access to pensions online)

CONCLUSION

61. As set out in this report, substantial progress has been made across all areas of fire pensions during 2017/18; in particular around governance and control, together with significant improvements in the quality and range of pension information that is available to firefighters.
62. Much of this has only been possible due to the employment of Claire Neale as the Employer Pension Manager, who has been instrumental in managing the multitude of activities throughout the year.
63. For 2018/19 the year will be more about a period of continuous improvement and building on the foundations that have been put in place that will continue to be orchestrated by the Employer Pension Manager.

RECOMMENDATION

64. That the contents of this report are received and noted by the Standards and Governance Committee
65. That the Standards and Governance Committee provides any feedback to the Fire Pension Board on previous work or on future areas of priority.

APPENDICES ATTACHED

- 66. APPENDIX A – Fire Pension Board report 17 July 2017
- 67. APPENDIX B - Fire Pension Board report 14 November 2017
- 68. APPENDIX C – Fire Pension Board report 19 February 2018

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